

AR48

Computer

CENTRES LTD.

YEAR ENDED MARCH 31, 1973

ANNUAL REPORT

DIRECTORS

G. MARTIN KERNAHAN
WILLIAM H. TAYLOR
H. PETER SIMON

NEIL S. THOMPSON
WILLIAM C. EILERS

OFFICERS

G. MARTIN KERNAHAN, President & Chairman of the Board
WILLIAM H. TAYLOR, Vice-president & Secretary-treasurer

EXECUTIVE OFFICES

2000 Elveden House
Calgary 2, Alberta

TRANSFER AGENT AND REGISTRAR

The Royal Trust Company
Vancouver, B.C.
Calgary, Alberta

AUDITORS

Peat, Marwick, Mitchell & Co.
309 - 8th Avenue S.W.
Calgary 2, Alberta

DIVISION OFFICES

1652 West 8th Avenue
Vancouver, B.C.

10340 - 124 Street
Edmonton, Alberta

818 Portage Avenue
Winnipeg, Manitoba

16 Lesmill Rd.
Don Mills, Ontario

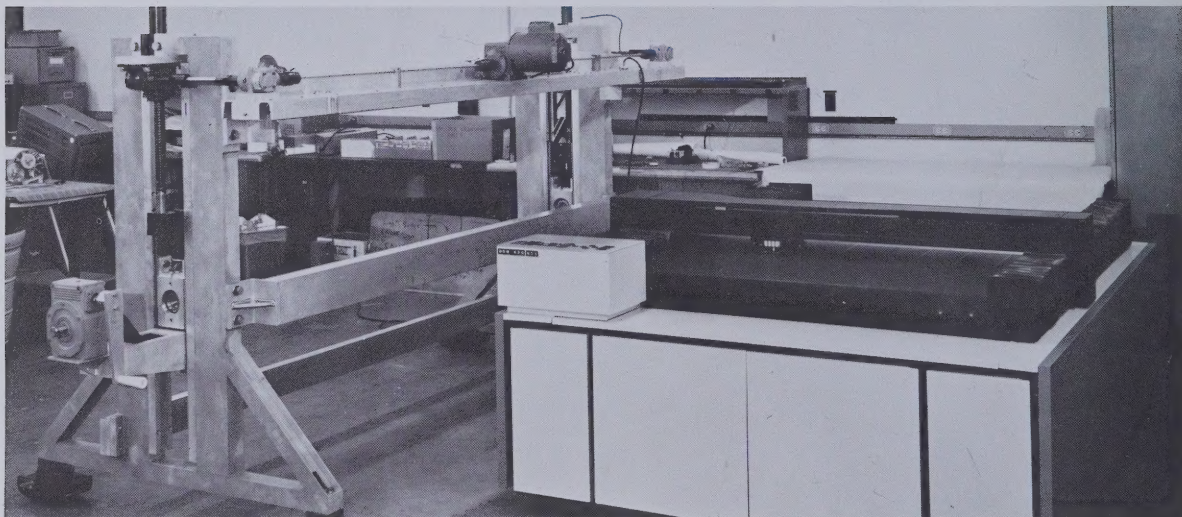
424 Queen Street
Ottawa, Ontario

2750 Chemin Ste. Foy
Ste. Foy, Quebec

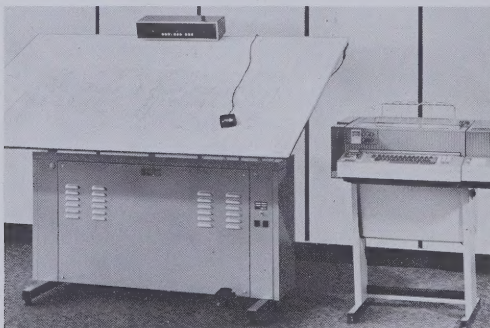
4221 - St. Catherines St. W.
Montreal, Quebec

Computer XX

CENTRES LTD.

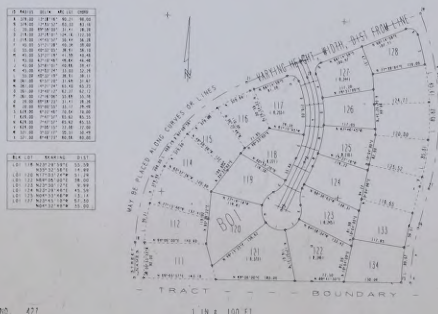


Precision flatbed plotters during final assembly at the Calcomp plant.



"Free-cursor" digitizers manufactured by Calcomp and available only through Computrex.

RIDGECREST - UNIT NO 3
SACRAMENTO COUNTY, CALIFORNIA
WORK ORDER 6601-111



RUN NO. 471

1 IN = 100 FT

Map production through scribing techniques by Computrex.



Computer output microfilm (COM) system — the Computrex 3700 by Pertec.



to the shareholders:

The fiscal year ended March 31, 1973, was undoubtedly the most significant of any one of the past thirteen years of the company's history:

- (1) Gross revenues hit an all-time high of \$1,906,324.
- (2) Shareholders equity per share increased from 45c to 53c.
- (3) A new service centre was established in Montreal, making it the eighth in the company's chain.
- (4) Despite a large increase in staff (46%) in one year, and increased depreciation due to acquiring additional service bureau assets of \$293,056, the resulting profit was \$332,061 (7.3c per share).
- (5) Working capital amounted to \$682,951 at March 31, 1973, an enviable position in these days of high interest rates.
- (6) Assets increased by \$454,852.
- (7) Cash Flow was \$492,051 which amounts to 26% of gross revenue.

The above factors indicate a strengthening of the company's position in many areas. For example, the improved Working Capital position allows expansion into additional revenue areas without Stock Dilution and without increasing the Debt to Equity Ratio to any great extent.

Shareholders might be apprehensive of the 46% increase in personnel which obviously resulted in higher operating costs. Your company, however, deemed this increase necessary in order to meet the near-future demands of the market. After building the staff rapidly in fiscal 1973, the need for a sharp increase in fiscal 1974 will be eased. We predict that a 20% staff increase in fiscal 1974 will be sufficient to maintain a satisfactory level of service. Obviously, costs of training personnel in sales, service, and maintenance have been inordinately high this past year but higher profits should result in this current year.

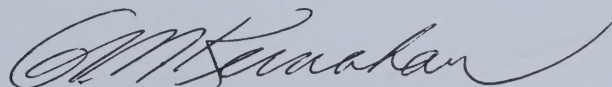
Your company is the Canadian leader in several areas of the Computer Graphics Business. Computer Graphics represents a growing phase of Computer Peripherals which in turn is directly related to the increasing number of Digital Computer Installations. Computers without "graphics" are like newspapers without pictures.

Computrex has sold, leased and installed in its own service bureaux 85% of all Digital Plotters and 50% of all COM (Computer Output Microfilm) systems in Canada.

Computrex customers continue to grow in number. They represent a good mix of leading industrial, commercial, utility, and banking organizations as well as all areas of government (federal, provincial and municipal) and Crown Corporations. Recently, we signed a contract with a major company which will bring our total billings to this large corporation alone, by 1973 calendar year end, to \$200,000. A Computrex-Pertec 3700 COM System was selected by the major company over all other COM systems on the market. The selection of our equipment was made following a detailed hardware study over a period of approximately one year.

Increased customer acceptance of our products and services, as well as continued confidence in our personnel coupled with Canadian-wide back-up should add to our success in the future.

Computrex shareholders should look forward to a favourable increase in sales in fiscal 1974 with a corresponding increase in profits.

A handwritten signature in dark ink, appearing to read 'G. M. Kernaahan', with a stylized, flowing script.

G. M. KERNAHAN, P. Eng.
President

statement of earnings

year ended March 31, 1973 (with comparative figures for 1972)

	1973	1972
INCOME:		
Sales of supplies, equipment and services	\$1,699,571	1,459,719
Equipment rentals earned (Note 1)	201,059	193,788
Investment and other income	5,694	11,395
	<u>1,906,324</u>	<u>1,664,902</u>
EXPENSES:		
Cost of sales and services	706,206	570,907
Salaries and commissions	422,494	295,636
Equipment rentals	17,466	60,972
Rent — premises	55,988	54,431
Selling expenses	76,043	60,024
Other general and administrative expenses	84,380	68,672
Amortization of excess cost of subsidiary (Note 2)	35,200	35,200
Depreciation and amortization	130,002	109,267
Interest:		
Long-term debt	33,938	24,891
Other	1,794	5,253
Miscellaneous	10,752	7,818
	<u>1,574,263</u>	<u>1,293,071</u>
Net earnings before income taxes and extraordinary items	332,061	371,831
INCOME TAXES	175,305	191,972
Net earnings before extraordinary items	<u>156,756</u>	179,859
EXTRAORDINARY ITEMS:		
Income taxes recoverable arising on application of loss carry forward	175,305	191,972
	<u>175,305</u>	<u>191,972</u>
NET EARNINGS (Note 6)	<u>\$ 332,061</u>	<u>371,831</u>

See accompanying notes.

statement of source and application of funds

year ended march 31, 1973 (with comparative figures for 1972)

SOURCE OF FUNDS:

	1973	1972
Net earnings	\$332,061	371,831
Add charges (credits) not requiring cash:		
Depreciation and amortization	130,002	109,267
Amortization of excess cost of subsidiary (Note 2)	35,200	35,200
Gain on disposal of fixed assets	(5,212)	(9,504)
Funds provided from operations	492,051	506,794
Issue of common shares	3,150	—
Increase in notes payable in respect of leases	115,015	113,601
Increase in other long-term debt, net of current portion	—	20,059
Proceeds on disposal of fixed assets	137,434	93,180
Other	—	2,252
Total funds provided	747,650	735,886

FUNDS APPLIED:

Purchase of fixed assets	293,056	347,282
Increase in net leases receivable	37,098	53,064
Increase in residual value of leased equipment	25,089	6,261
Decrease in other long-term debt, net of current portion	54,572	—
Increase in cash surrender value of life insurance	9,317	6,250
Total funds applied	419,132	412,857

INCREASE IN WORKING CAPITAL	328,518	323,029
WORKING CAPITAL AT BEGINNING OF YEAR	354,433	31,404
WORKING CAPITAL AT END OF YEAR	\$682,951	354,433

See accompanying notes.

notes to financial statements

march 31, 1973

1. LEASES RECEIVABLE:

The company follows the practice of recording the total lease contracts in force and residual value of leased equipment as assets. The excess of the rentals to be received over the cost of the equipment leased, less residual values, is credited to unearned income. The remainder of the unearned income will be transferred to income over the terms of the leases in diminishing monthly amounts on the sum of the digits method based on payments deemed to be made in accordance with the lessees' contractual obligations. The balance of the payments deemed to be made is recorded as recovery of cost of leased equipment.

The lease contracts provide for equal periodic payments to be received over the terms of the leases. Based on leases outstanding at March 31, 1973 the amount of rentals to be received in the next three years is summarized as follows:

Year ended March 31,	
1974	\$ 232,364
1975	161,037
thereafter	73,694
	<u>\$ 467,095</u>

2. EXCESS COST OF SUBSIDIARY (liquidated):

Prior to 1971 the company acquired all the issued and outstanding shares of Computrex Computer Centres Ltd. (which was subsequently liquidated) in exchange for 2,718,000 shares of the company having an ascribed value of \$1,195,920. The excess of the cost over the underlying net book value of the subsidiary company, less amortization thereon, has been included in the accompanying balance sheet under the heading "Other Assets".

3. LONG-TERM DEBT:

The notes payable in respect of leases and casual rental equipment contracts are secured as follows:

- Assignment of certain leases receivable having an aggregate value of approximately \$456,965
- Assignment of receipts from certain casual rental equipment contracts
- Chattel mortgages on certain leased and casual rental equipment
- General assignment of accounts receivable

The notes payable are repayable monthly to the extent of the monthly receipts from the lessees. During the year ended March 31, 1974 and the year ended March 31, 1975 it is estimated that \$243,538 and \$97,949 respectively, will be repaid.

Other long-term debt is as follows:

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Bank loan, payable \$209 per month, secured by chattel mortgage on certain equipment	\$ 2,508	4,040	6,548
Conditional sales contract, payable \$286 per month, secured by certain inventory	286	—	286
	<u>\$ 2,794</u>	<u>4,040</u>	<u>6,834</u>

4. CAPITAL STOCK:

The company has reserved 501,000 common shares of its capital stock as follows:

Shares

100,000 By agreement dated August 12, 1969 the company granted an option to its underwriter to purchase 100,000 common shares at \$2.25 per share during the period from August 1972 to 1979. The option is evidenced by warrants sold for a consideration of \$10,000, which amount is included in contributed surplus.

200,000 Under an agreement to acquire shares of a subsidiary company, (subsequently liquidated) an irrevocable option was granted to purchase 200,000 common shares of the company at 35 cents per share, exercisable in whole or in part from time to time from January 1971 to December 1973.

191,000 Under an employee stock option incentive plan the company has reserved 200,000 common shares of the company. Options will be granted at 35 cents per share exercisable on a non-cumulative basis in equal amounts for a period of not less than three and not more than five years from the date granted. During the year options totalling 9,000 shares were exercised for \$3,150.00 cash.

10,000 Under an employees stock option plan the company has granted an option to purchase 10,000 common shares to June 1974 but cancelled on termination of employment, at a price of \$1.75 per share as to one-third of the option shares and at a price of \$3.50 per share as to the remaining two-thirds.

501,000

notes to financial statements — continued

march 31, 1973

5. COMMITMENTS AND CONTINGENCIES:

The company is committed to premises and equipment rentals aggregating approximately \$143,500 expiring at various dates up to 1976. The rentals with respect to the year ended March 31, 1974 will be approximately \$40,800.

As at March 31, 1973 Computrex Centres Ltd. had various items in dispute or claims filed aggregating approximately \$44,720. No provision has been made in the accounts for possible losses in connection with these items. In the opinion of management the majority of items in dispute or claims are unfounded.

6. EARNINGS PER SHARE:

	1973	1972
Before extraordinary item	\$ 0.03	0.04
Extraordinary item	0.04	0.04
Net earnings	<u>\$ 0.07</u>	<u>0.08</u>

The earnings per share figures are calculated using the monthly average of the number of shares outstanding during the respective fiscal year. No dilution of earnings would arise if all of the shares reserved for options were exercised.

7. REMUNERATION:

The aggregate remuneration of the directors who are also officers of the company for the year ended March 31, 1973 amounted to \$53,300.

Statement in accordance with Section 162(2) of The Companies Act (British Columbia)

The subsidiary companies have had no operations during the year ended March 31, 1973.

As the subsidiary companies are inactive and the accumulated losses of \$322,757 have been provided in the accounts of the parent company in prior years, consolidated financial statements have not been presented.

